EXAMINATION REPORT

OF

ASI SELECT INSURANCE CORPORATION

AS OF

DECEMBER 31, 2017

Trinidad Navarro
Commissioner

Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2017 of

ASI SELECT INSURANCE CORP.

is a true and correct copy of the document filed with this Department.

Attest By: Rylyn Brown

Date: 3rd day of June, 2019

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 5th day of June, 2019.

Trinidad Navarro

Trinidad Navarro
Insurance Commissioner

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Trinidad Navarro
Commissioner

Delaware Department of Insurance

REPORT ON EXAMINATION

OF

ASI SELECT INSURANCE CORP.

AS OF

DECEMBER 31, 2017

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Trinidad Navarro
Trinidad Navarro
Insurance Commissioner

Dated this 5th day of June, 2019

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SALUTATION

April 25, 2019

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 18.010 dated August 27, 2018, an examination has been made of the affairs, financial condition and management of

ASI SELECT INSURANCE CORP

hereinafter referred to as the Company or ASIS and incorporated under the laws of the State of Delaware as a stock company with its registered office located at 3411 Silverside Road, Tatnall Building #104, Wilmington, DE 19810. The examination was conducted at the administrative office of the Company located at 1 ASI Way, St. Petersburg, FL 33702. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our multi-state examination of ASIS. The last examination was conducted as of December 31, 2015, by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2016 through December 31, 2017. Our examination was performed as part of the multi-state coordinated examination of the ASI Group of regulated entities wherein Florida is the lead state. The examination was conducted concurrently with that of the Company's Florida's domiciled affiliates, American Strategic Insurance Corporation (ASIC), ASI Assurance Corporation (ASIA), ASI Home Insurance Corporation (ASIH), ASI Preferred Insurance Corporation (ASIP) and Ark Royal Insurance Company, n.k.a. Progressive Property Insurance Company (PPIC). The ASI Group examination was performed concurrently with the examination of the Progressive Insurance Group (Progressive Group), an Ohio domiciled insurance group, as The Progressive Corporation (Progressive) is the ultimate parent of the ASI Group and performs many corporate functions and key activities for the ASI Group. To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners* (NAIC) *Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers, LLC. (PwC). Certain auditor work papers of the December 31, 2017 audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

COMPANY HISTORY

The Company was incorporated under the laws of the State of Delaware on August 30, 2010, as a subsidiary of ARX Holding Corp (ARX Holding), and commenced business on April 11, 2011.

On April 1, 2015, ARX Holding stockholders entered into a Stock Purchase Agreement with Progressive. Per the terms of the agreement, Progressive acquired approximately 63.2% of the outstanding capital stock of ARX Holding through the purchase of the common and preferred stock of XL Re Ltd. (XL), Flexpoint Fund, LP (Flexpoint) and other non-management individuals and entities. Subsequently, in 2015, Progressive purchased an additional 1.0% of ARX Holding capital stock from certain employee shareholders and option holders. Prior to the acquisition, Progressive held a 5% interest in ARX Holding as part of its investment portfolio. As of December 31, 2017, Progressive owned 69.0% of the capital stock of ARX Holding.

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 1,900 shares of common stock with a $1000.00 par value. As of December 31, 2017, the Company had 1,900 common shares issued and outstanding totaling $1,900,000. All outstanding common shares of the Company are owned by ARX Holding Corporation. As of December 31, 2017, the Company reported gross paid in and contributed surplus of $19,400,000.

Dividends

The Company's Board of Directors (Board) did not approve or authorize any dividends during the exam period.

MANAGEMENT AND CONTROL

Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the property and affairs of the Company must be managed by or under the direction of its Board. The Board shall not have less than one member, nor more than seven members, with the exact number to be fixed from time to time, within the limits specified, by resolution of the Board or stockholders.

Each Director is elected annually by the stockholder and holds office until the next annual election and until their successors are elected and qualified except as removed for cause and the successor elected by a special meeting of the stockholder. Directors duly elected and serving as of December 31, 2017, are as follows:

Name	Title
John Franklin Auer	ASI President, CEO, Treasurer
Patrick Kevin Callahan	President-Progressive Personal Lines
Brian Charles Domeck	Independent Director
Marc Steven Fasteau	Independent Director
Glenn Morris Renwick	Independent Director

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a President, Secretary and Treasurer. Any number of offices may be held by the same person. The primary officers serving as of December 31, 2017, were as follows:

Name	Title
John Franklin Auer	President & Treasurer
Kevin Robert Milkey	Executive Vice President
Angel Dawn Conlin	VP, Secretary & General Counsel
Mary Francis Fournet	VP Production Management
Tanya Judith Fjare	VP Business Analysis
Jeffrey William Hannon	VP Marketing
Trevor Clark Hillier	VP Finance & Accounting
Philip Loren Brubaker	VP Product Development & Pricing
Patrick Thomas McCrink	VP Claims

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* § 1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* § 4919.

Insurance Holding Company System

The Company is a member of an insurance holding company system known as ARX Holding as defined under 18 *Del. C.* § 5001 of the Delaware Insurance Code. The Company is a wholly-owned subsidiary of ARX Holding, which is a wholly-owned subsidiary of ARX Executive Holdings Corporation, LLLP (ARX Executive), whose ultimate parent is Progressive. The Company's Holding Company Registration Statements were properly filed with the Department for the years under examination.

Organization Chart

The following presentation of the holding company system reflects the identities and interrelationships between the Company, its Parent, affiliated insurers and other members of the holding company system as of December 31, 2017:

Company	Domicile	% Owned
The Progressive Corporation	Ohio	69.0%
ARX Executive Holdings, LLLP.	Florida	25.0%
ARX Holding Corp.	Delaware	100.0%
ASI Preferred Insurance Corp.	Florida	60.0%
American Strategic Insurance Corp.	Florida	100.0%
ASI Preferred Insurance Corp.	Florida	40.0%
ASI Assurance Corp.	Florida	100.0%
ASI Select Insurance Corp.	Delaware	100.0%
Progressive Property Insurance Company	Florida	100.0%
ASI Home Insurance Corp.	Florida	100.0%
ASI Lloyds, Inc. (Attorney-in-Fact for ASI Lloyds)	Texas	100.0%
ASI Underwriters of Texas, Inc.	Texas	100.0%
Sunshine Security Insurance Agency, Inc.	Florida	100.0%
Property Plus Insurance Agency, Inc.	Delaware	100.0%
ASI Services, Inc.	Florida	100.0%
Ark Royal Underwriters, LLC.	Florida	100.0%
ASI Underwriters, Corp.	Florida	100.0%
e-Ins, LLC.	Florida	10.0%
ASI Select Auto Insurance Corp.	California	100.0%
e-Ins, LLC.	Florida	90.0%

Agreements with Affiliates

The Company was party to several agreements with affiliated companies. They are as follows:

Intercompany Settlement Agreement: Effective May 31, 2013 – supersedes agreement dated January 1, 2012. This agreement is between ASIC, ASIA, ASIP, ACA Home Insurance Corp. and American Capital Assurance Corp. (ACAC), ASI Lloyds (ASIL), ASIS, ASI Underwriters Corp., ASI Underwriters of Texas, Safe Harbour Underwriters, LLC, ASI RE, LLC, e-Ins, LLC (e-INS), Sunshine Security Agency, Inc., ASI Services, Inc., and ARX Holding. The agreement had an initial term of one year and would automatically renew for consecutive one-year terms until either party decides to terminate by providing written notice of termination of least 90 days prior to the effective date of termination. One company may pay expenses incurred on behalf of another company. Expenses include but are not limited to: reinsurance settlements, corporate federal and state income tax payments and shared overhead expenses including salary and related benefits, rent and utility expenses on leased space.

Interest Agreement: Effective January 1, 1977, the Interest Agreement states that participating companies agree to pay Progressive Casualty Insurance Company (PCIC) or receive credit from PCIC for any balances owed to PCIC or owed by PCIC as a result of activity in PCIC's Cashier Account. The amounts of these balances are determined by an analysis of the average unpaid balances of these accounts. Interest is charged at the prevailing 90-day treasury bill rate on the last day of each month computed to the nearest quarter of a percent. Effective January 1, 2018, ASIC, ASIA, ASIP, ASIH, and PPIC have filed an Amendment to the Interest Agreement that proposes to add each of the Companies to the referenced Agreement. All other terms and conditions of the Interest Agreement remain unchanged. The proposed effective date of the Amendment is January 1, 2018.

PCMI Investment Services Agreement: Effective January 1, 2016 between Progressive Capital Management Corp. (Manager) and ARX Holding, ASIC, ACAC, ASIA, ASIH, ASIL, ASIP, and ASIS (collectively Client). Client appoints Manager as the investment manager of that portion of Client's assets constituting the Account for fees agreed upon. Effective as of January 1, 2016, Manager will provide investment accounting services for Client, and will assist Client in preparing Client's statutory Schedule D, if applicable. This Agreement shall have a term of five years commencing upon the effective date, and shall be automatically renewed for consecutive five-year terms. Either Client or Manager may cancel this Agreement at any time upon 30 days prior written notice.

Joint Services- Cost Allocation Agreement: Effective January 1, 2016 between PCIC and ASIC, ASIL, ASIA, ASIS, ACAC, ASIP, and ASIH. PCIC provides or causes to be provided various services and facilities to its affiliated companies. Such services and facilities are provided by PCIC at cost and enable the affiliates to obtain high quality services and facilities at a price that reflects the efficiencies of economies of scale. Initial term of one year, which shall automatically renew for consecutive one-year terms. After the first year, either party may terminate this Agreement with or without cause by giving ninety (90) days written notice of termination to the other.

ARX Holding Corporate Shared Tax Agreement: Effective July 1, 2012 (along with Amendments 1-3) and the original Progressive Tax Agreement, effective August 1, 2005 (along with amendments 1-19) comprise the total corporate shared tax agreement. The shared agreements are standard tax agreement which states: Parent will apportion the amount determined under Article (1) (a), whether as a recoverable or as a payable, to each member of the Group in an amount equal to the amount of tax that would be allocated to the member in accordance with Treas. Reg. 1.1552-1(a)(2) as modified by Treas. Reg. 1.1502-33(d)(3), with the following modifications:

1) The amount of tax allocated to each member shall be based on the top marginal tax rate as set forth in Internal Revenue Code section 11, and;
2) The benefits of any reduced tax brackets or recapture thereof shall be allocated entirely to PCIC.

The tax agreements have been approved by the Department, including Progressive Tax Agreement Amendment #20, which added ARX Holding and subsidiaries to the Progressive Agreement.

The Cash Management Agreement: Effective January 1, 1988, this agreement allows that PCIC will provide cash management services to the listed Companies. The various amendments since the inception date have added or deleted entities and changed the wording based upon the requests of different state insurance departments. The original Agreement represents that PCIC established a central cash management system for the benefits of the members of the Progressive Group of companies and this central cash management system results in significant efficiencies, expense savings, and other benefits to the participants. This agreement was amended by Amendment #22, effective January 1, 2018, adds the Company to the agreement and amends the Miscellaneous Article. All other terms and conditions of the Cash Management Agreement remain unchanged.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2017, the Company is licensed and/or authorized to transact business in 4 states. Total direct premiums amounted to $21,681,136. The Company offers property, casualty, including: liability, burglary & theft, personal property floater, glass, boiler &

machinery, leakage & fire extinguisher equipment, miscellaneous and marine & transportation, as defined in 18 *Del. C.* § 904 ""Property insurance" defined", 18 *Del. C.* § 906 ""Casualty insurance" defined", and 18 *Del. C.* § 907 ""Marine & Transportation insurance" defined".

The Company writes residential property and liability coverages including homeowner's coverage for detached homes, renters and condominium unit owners, as well as dwelling fire coverage with optional liability coverage. ASIS is currently doing business in Delaware, Indiana, New York, and California.

The Company also writes flood business through the NFIP "Write Your Own" program in California, Indiana and New York. The Company uses e-INS as a certified flood vendor to administer the program. Flood policies written and losses and loss adjustment expenses incurred are 100% ceded to the NFIP.

ASIS participates in a Full-Service Vendor Agreement with e-INS. e-INS provides underwriting, claims processing, and premium collection services for ASIS' flood business.

REINSURANCE

The Company reported the following distribution of premiums written for the years ended December 31, 2017, and the prior examination date of December 31, 2015:

	2015	2017
Direct	$3,236,078	$21,681,136
Reinsurance assumed from affiliates	0	123,985
Reinsurance assumed from non-affiliates	0	0
Total assumed	$3,236,078	$123,985
Total gross (direct and assumed)	$3,236,078	$21,805,121
Reinsurance ceded to affiliates	$2,208,901	$15,248,727
Reinsurance ceded to non-affiliates	529,737	1,218,745
Total ceded	$2,738,638	$16,467,472
Net premiums written	$497,440	$5,337,649

Gross retention rate	15.4%	24.6%

Assumed Reinsurance – Affiliates:

As of December 31, 2017, the Company assumed only a small block of business from an affiliate ASI Select Auto Insurance Corp, which amounted to $123,985.

Assumed Reinsurance – Non-Affiliates:

The Company did not assume any reinsurance from non-affiliated companies during the period under examination.

Ceded Reinsurance – Affiliates:

The Company cedes approximately 75% of its gross business to reinsurers. Of this amount, 92.6% of ASIS' ceded premium is to ASIC. In terms of its reinsurance program, the largest single expenditure is excess catastrophe reinsurance. ASIS and its affiliates have a policy to protect their solvency against two 100-year events through contracts with the Florida Hurricane Catastrophe Fund (FHCF) and the private market. The program also protects a first event in excess of the 250-year probable maximum loss or three smaller events. Reinstatement premium protection treaties have been purchased to pay the reinstatement premiums required to reinstate the limits after a loss.

ASIS' personal lines program provides $1.6 billion in excess of $50 million, including the FHCF and a $200 million catastrophe bond. The program consists of both single-year and multi-year contracts in order to protect ASIS from price volatility. The catastrophe bond is a three-year bond in its first year that responds based on an ultimate net loss, and covers named storms. For the 2017-2018 hurricane season the bond will attach at approximately $1.1 billion for a first event. The bond is split into two classes: Class A for $150 million and Class B for $50 million. After the company incurs the $50 million retention from two named storms, the Class B bond will bifurcate and set the retention for a third and fourth named storm at $25 million, providing the Class B bond did not suffer a loss in the first or second event.

In 2017, ASIS added an Aggregate Stop Loss (ASL) treaty to its reinsurance program. The ASL covers most current accident year losses and allocated loss adjustment expenses from their residential property insurance for homeowners, other property owners, and renters. It excludes losses from named hurricanes, named tropical storms, third party liability claims, and a portion of the company's loss adjustment expenses. The ASL provides $200 million of coverage if applicable loss and LAE ratio for the full year exceeds 63%. ASIS' risk on a single building is limited to $1,000,000 through a multiple line excess per risk treaty reinsurance.

Ceded Reinsurance – Non-Affiliates

The Company utilizes extensive reinsurance to protect its policyholders, solvency, and capital. ASIS has strong, long-term relationships with many of the strongest reinsurers in the world and over 60 companies currently provide reinsurance to ASIS. In addition to the NFIP, the Company also cedes to the California Earthquake Authority and the Indiana Mine Subsidence Insurance Fund. Only approximately 7% of the Company's premium is ceded to non-affiliated reinsurers.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets and Liabilities as of December 31, 2017
- Statement of Income for the year ended December 31, 2017
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2015 to December 31, 2017

Statement of Assets and Liabilities
As of December 31, 2017

	Assets	Non admitted Assets	Net Admitted Assets	Notes
Bonds	$ 20,184,687		$ 20,184,687	
Common stocks				
Cash	3,509,825		3,509,825	
Short-term Investments				
Other invested assets				
Receivables for securities				
Subtotals, cash and invested assets	$ 23,694,512	$ -	$ 23,694,512	
Investment income due and accrued	141,089		141,089	
Uncollected premiums and agents' balances in the course of collection	684,780	10,706	674,074	
Deferred Premiums, Agents' Balance booked but not due	955,150	14,932	940,218	
Accrued retrospective premiums				
Amounts recoverable from reinsurers	2,835,661		2,835,661	
Funds held by or deposited with reinsured companies				
Current federal and foreign income tax recoverable and interest thereon				
Net deferred tax asset	292,747		292,747	
Furniture and equipment				
Receivable from parent, subsidiaries and affiliates	109,524		109,524	
Net deposit assets				
Aggregatge write-ins for other than invested assets	15,273	15,273	-	
Totals	$ 28,728,736	$ 40,911	$ 28,687,825	

Liabilities, Surplus and Other Funds
As of December 31, 2017

			Notes
Losses	$	1,075,809	1
Reinsurance payable on paid losses and LAE		2,580	
Loss adjustment expenses		112,834	1
Commissions payable, contingent commissions		503,431	
Other expenses		138,538	
Taxes, licenses and fees		323,396	
Current federal and foreign income taxes		53,624	
Unearned premiums		3,310,882	
Advanced premiums		399,058	
Ceded reinsurance premiums payable		1,218,435	
Funds held by company under reinsurance treaties		6,721	
Provisions for reinsurance		213,000	
Payable to parent, subsidiaries, and affiliates		459,895	
Aggegate write-ins for liabilities		686,268	
Total liabilities	$	8,504,471	
Common capital stock		1,900,000	
Gross paid in and contributed surplus		19,400,000	
Unassigned funds (surplus)		(1,116,646)	
Surplus as regards policyholders	$	20,183,354	
Totals	$	28,687,825	

Statement of Income
For the Year Ended December 31, 2017

		Notes
Premiums earned	$ 3,136,259	
Losses incurred	$ 3,118,310	
Loss adjustment expenses incurred	521,573	
Other underwriting expenses incurred	772,420	
Total underwriting deductions	$ 4,412,303	
Net underwriting gain (loss)	$ (1,276,044)	
Net investment income earned	396,253	
Net realized capital gains or (losses)	(34,336)	
Net investment gain (loss)	$ 361,917	
Net gain (loss) from agents' or premiums balances charged off	$ (7,037)	
Finance and service charges not included in premiums	32,929	
Net interest on funds held		
Retroactive reinsurance losses		
Total other income	$ 25,892	
Net income after dividends to policyholders	$ (888,235)	
Dividends to policyholders		
Net income, after dividends to policyholders	$ (888,235)	
Federal and foreign income taxes incurred	(13,637)	
Net income	$ (874,598)	
Surplus as regards policyholders, December 31, 2015		
Net income (losses)	$ (874,598)	

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2015 to December 31, 2017

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Funds (Surplus)	Total
12/31/15 1	1,900,000	19,400,000	(310,914)	20,989,086
12/31/16 1			226,488	226,488
12/31/16 1			(1,032,220)	(1,032,220)
	$ 1,900,000	$ 19,400,000	$ (1,116,646)	$ 20,183,354

(1) Represents net income, change in unrealized capital gains(losses), change in unrealized foreign exchange gain(losses), change in net deferred income tax, change in non-admitted assets, change in liability for reinsurance in unauthorized and certified companies, change in surplus notes, cumulative effect of changes in accounting principles, capital changes and surplus adjustments.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Financial Statements as a result of this Examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	$1,075,809
Loss Adjustment Expenses	$112,834

The examination liability for the aforementioned captioned items of $1,075,809 and $112,834 are the same as reported by the Company as of December 31, 2017. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Generally Accepted Actuarial Principles and Statutory Accounting Principles, including NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principle No. 55 (SSAP No. 55).

SUBSEQUENT EVENTS

There were no reported subsequent events.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no recommendations contained in the prior examination report issued by the Department as of December 31, 2015.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

CONCLUSION

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS Consultants, Inc., Exam Resources, the Company's outside audit firm, PwC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

James D Grimes Jr, CFE, CPA
Examiner In-Charge
State of Delaware

Steven A Guest, CFE, CPA
Supervising Examiner
State of Delaware